

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended .

Unit Name	Sumner Township	County	GRATIOT	Type	TOWNSHIP	MuniCode	29-1-140
Opinion Date-Use Calendar	Jul 3, 2008	Audit Submitted-Use Calendar	Aug 8, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

☒

1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?

☒

2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?

☐

3. Were the local unit's actual expenditures within the amounts authorized in the budget?

☒

4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?

☒

5. Did the local unit adopt a budget for all required funds?

☒

6. Was a public hearing on the budget held in accordance with State statute?

☒

7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?

☒

8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?

☒

9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?

☒

10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)

☒

11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)

☒

12. Is the local unit free of repeated reported deficiencies from previous years?

☒

13. Is the audit opinion unqualified?

14. If not, what type of opinion is it?

NA

☒

15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?

☒

16. Has the board or council approved all disbursements prior to payment as required by charter or statute?

☒

17. To your knowledge, were the bank reconciliations that were reviewed performed timely?

☒

18. Are there reported deficiencies?

☒

19. If so, was it attached to the audit report?

General Fund Revenue:

\$ 289,696.00

General Fund Expenditure:

\$ 297,685.00

Major Fund Deficit Amount:

\$ 0.00

General Fund Balance:

\$ 407,668.00

Governmental Activities Long-Term Debt (see instructions):

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Chad	Last Name	Payton	Ten Digit License Number			1101021946		
CPA Street Address	308 Gratiot Avenue	City	Alma	State	MI	Zip Code	48801	Telephone	+1 (989) 463-6123
CPA Firm Name	Roslund, Prestage & Company	Unit's Street Address	10820 Pine Street	City	Sumner	LU Zip	48889		

**Financial Statements**

**Sumner Township**  
**Gratiot County, Michigan**

**March 31, 2008**



Sumner Township  
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March 31, 2008

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## **INDEPENDENT AUDITOR'S REPORT**

Sumner Township  
Gratiot County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sumner Township, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Township, as of March 31, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated July 3, 2008, on our consideration of the Township's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and important for assessing the results of our audit.

The Management's Discussion and Analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

*Roslund, Prestage & Co, PC*

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

July 3, 2008

# **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## **Sumner Township Management Discussion and Analysis**

We, the Township Board of Sumner Township, offer citizens of the Township, our financial statements with this narrative overview and analysis of the financial activities of Sumner Township for the fiscal year ending March 31, 2008.

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of Sumner Township.

### **Financial Highlights**

The unrestricted net assets of Sumner Township exceeded its liabilities at the close of the most recent fiscal year by \$366,398, which may be used to meet the Township's ongoing obligations to citizens and creditors.

As of the close of the current fiscal year, Sumner Township's governmental funds reported combined ending fund balances of \$411,861, of which \$21,245 is reserved for the Sumner Community Center, \$15,568 is reserved for Fire Protection, \$4,457 is reserved for the Sumner Daze Festival and \$4,193 is reserved for Perpetual Care. The ending fund balance is an increase of \$3,815 from the 2006 audit.

The Township's total revenues decreased by \$464 over the 2006 audit revenues. The Township's total expenditures decreased by \$32,601 over the 2006 audit expenditures, do largely to the remodeling of the west end of the Sumner Community Center during the 2006 year.

### **Governmental Funds**

The analysis of the Township's major funds begins on page 3, following the government wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities.

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

## **Sumner Township Management Discussion and Analysis**

### **Government-Wide Financial Analysis**

The government-wide financial statements are designed to provide readers with a broad overview of the Township's finances.

The statement of net assets on page 1 presents information on all of the Township's assets and liabilities, with the difference between the two reported as net assets.

The statement of activities on page 2 presents information showing how the Township's net assets changed during the most recent fiscal year.

Both the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues. The governmental activities of the Township include general government, public safety, public works, and recreation and culture.

The Township adopts an annual appropriated budget for its general fund and special revenue funds. A budgetary comparison statement has been provided for the general fund and other major funds to demonstrate compliance with this budget.

### **Fund Financial Statements**

Sumner Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate the comparison between governmental funds and governmental activities.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 8-17 of this report.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the Township's Budget to Actual comparison. Required supplementary information can be found on page 18 of this report.



## **Sumner Township Management Discussion and Analysis**

### **General Fund Budgetary Highlights**

Over the course of the year, the Sumner Township Board amended the budget to take into account events during the year. The difference between the original budget and the final amended budget was an increase in budgeted expenses of \$41,577, which was taken out of unappropriated funds, and can be explained briefly as follows: purchase of B S & A computer tax program for the Township Treasurer to use for collecting taxes, the increase in Drain at Large which is the Township's part in maintaining the Township drains and ditches, the increase in cost of gas and diesel fuel and the increase in heating. When the original budget was approved, the Township Board could not take into account the increase in gas and diesel fuel or the increase in the utilities. The computer program for the Treasurer was purchased at the suggestion of Gratiot County Equalization to be in compliance with the other townships programs and at the time of the original budget there was no mention from Equalization that a new program would have to be purchased.

### **Capital Asset and Debt Administration**

Sumner Township's total net assets, including capital assets, exceeded liabilities by \$636,826 at the close of the most recent fiscal year. This shows Sumner Township's careful investment in capital assets and as a result, Sumner Township is debt free.

Major capital asset events during the current fiscal year are:

1. Addition of 7 new street lights in the villages of Sumner and Elm Hall
2. Remodeling of the west end of the Sumner Community Center
3. Purchase of a Dodge Durango for the Sumner/Seville First Responders
4. Purchase of 2 Defibrillators for the Sumner/Seville First Responders
5. Purchase of sand for the Sumner and Elm Hall Parks for under the playground equipment

Details of the Township's capital assets are continued in the notes to the financial statements on page 16.

## **Sumner Township Management Discussion and Analysis**

### **Economic Factors and New Year's Budgets and Rates**

The unemployment rate is still high in the State of Michigan and especially in Gratiot County and the State's shortfall in the budget means further reductions in state-shared revenues. These funds have gradually been reduced to the Township. Because some properties increase in value by less than inflation, and Proposal A caps new growth at the rate of inflation, the result is that the total taxable value of the Township will more than likely grow by less than the rate of inflation, before considering new property. The Township budgeted for this decrease in state-shared revenue, and took cuts in certain areas and more cuts may be needed. Also considered was the low return of interest payments on the Township's CD's. The Township took all of these factors into account when preparing for the 2008-2009 budget fiscal year. The Township presented and approved a balanced budget for the 2008-2009 fiscal year.

### **Contacting Your Township**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the Township's accountability for the money it receives. If you have questions about this report or need additional information, you may contact us at Sumner Township 8644 W. Polk Rd. Sumner, Michigan, 48889 or by telephone at 989-463-4531 or 989-833-2286.

# **GOVERNMENT-WIDE FINANCIAL STATEMENTS**



Sumner Township  
Statement of Net Assets  
March 31, 2008

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	<u>Governmental Activities</u>
<b>Assets</b>	
Current assets	
Cash and cash equivalents	\$364,137
Cash - restricted	8,650
Taxes receivable	12,361
Due from other governmental units	<u>32,073</u>
Total current assets	417,221
Noncurrent assets	
Land	124,250
Capital assets, net of accumulated depreciation	<u>100,715</u>
Total noncurrent assets	<u>224,965</u>
Total assets	642,186
<b>Liabilities</b>	
Current liabilities	
Accounts payable	<u>5,360</u>
Total current liabilities	<u>5,360</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	224,965
Restricted for:	
Perpetual care	4,193
Community center	21,245
Fire protection	15,568
Sumner Daze	4,457
Unrestricted	<u>366,398</u>
Total net assets	<u><u>\$636,826</u></u>

See Accompanying Notes to Financial Statements.

Sumner Township  
Statement of Activities  
for the Year Ended March 31, 2008

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		<u>Program Revenues</u>	
	<u>Expenses</u>	<u>Charges for services</u>	<u>Net (expense) revenue and changes in net assets</u>
<b>Functions/Programs</b>			
Primary government			
General government	\$98,208	\$8,713	(\$89,495)
Public safety	53,953	-	(53,953)
Public works	70,719	-	(70,719)
Recreation and culture	56,691	-	(56,691)
Other	17,507	-	(17,507)
	<u>          </u>	<u>          </u>	<u>          </u>
Total primary government	<u><u>\$297,078</u></u>	<u><u>\$8,713</u></u>	(288,365)
 <b>General Revenues</b>			
Property taxes			117,858
State shared revenues			143,043
Unrestricted investment earnings			1,771
Miscellaneous revenues			<u>18,321</u>
			<u>          </u>
Total general revenues			<u>280,993</u>
Change in net assets			(7,372)
Net assets - beginning of year			<u>644,198</u>
Net assets - end of year			<u><u>\$636,826</u></u>

See Accompanying Notes to Financial Statements.

# **FUND FINANCIAL STATEMENTS**



Sumner Township  
Balance Sheet  
Governmental Funds  
March 31, 2008

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	General Fund	Permanent Fund	Total
<b>Assets</b>			
Cash and cash equivalents	\$364,137	-	\$364,137
Cash - restricted	4,457	\$4,193	8,650
Taxes receivable	12,361	-	12,361
Due from other governmental units	32,073	-	32,073
 Total assets	 <u>\$413,028</u>	 <u>\$4,193</u>	 <u>\$417,221</u>
 <b>Liabilities</b>			
Accounts payable	\$5,360	-	\$5,360
 Total liabilities	 <u>5,360</u>	 <u>-</u>	 <u>5,360</u>
 <b>Fund Balance</b>			
Fund Balance - Reserved			
For perpetual care	-	\$4,193	4,193
For community center	21,245	-	21,245
For fire protection	15,568	-	15,568
For Sumner Daze	4,457	-	4,457
Fund Balance - unreserved	366,398	-	366,398
 Total fund balance	 <u>407,668</u>	 <u>4,193</u>	 <u>411,861</u>
 Total liabilities and fund balance	 <u>\$413,028</u>	 <u>\$4,193</u>	 <u>\$417,221</u>

See Accompanying Notes to Financial Statements.

Sumner Township  
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds  
to Net Assets of Governmental Activities on the Statement of Net Assets  
for the Year Ended March 31, 2008

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Total fund balance - governmental funds	\$411,861
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.

Add: Cost of capital assets	1,188,027
Deduct: Accumulated depreciation	<u>(963,062)</u>

Net assets of governmental activities	<u><u>\$636,826</u></u>
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See Accompanying Notes to Financial Statements.



Sumner Township  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
Governmental Funds  
Year Ended March 31, 2008

	General Fund	Permanent Fund	Total
<b>Revenues</b>			
Taxes and penalties	\$117,858	-	\$117,858
State grants	143,043	-	143,043
Charges for services	8,713	-	8,713
Interest and rentals	1,761	\$10	1,771
Other revenues	18,321	-	18,321
	<u>289,696</u>	<u>10</u>	<u>289,706</u>
<b>Expenditures</b>			
General government	77,056	-	77,056
Public safety	49,836	-	49,836
Public works	70,719	-	70,719
Recreation and cultural	56,691	-	56,691
Other			
Insurance, bonds and fringes	17,507	-	17,507
Capital outlay	25,876	-	25,876
	<u>297,685</u>	<u>-</u>	<u>297,685</u>
Excess of revenues over (under) expenditures	(7,989)	10	(7,979)
Fund balance - beginning of year	415,657	4,183	419,840
Fund balance - end of year	<u>\$407,668</u>	<u>\$4,193</u>	<u>\$411,861</u>

See Accompanying Notes to Financial Statements.

Sumner Township  
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund  
Balances of Governmental Funds to the Statement of Activities  
for the Year Ended March 31, 2008

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Net change in fund balances - total governmental funds (\$7,979)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures.  
However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add: capital outlay	25,876
Deduct: loss on sale of equipment	(4,117)
Deduct: depreciation expense	<u>(21,152)</u>

Change in net assets of governmental activities (\$7,372)

See Accompanying Notes to Financial Statements.

Sumner Township  
Statement of Net Assets  
Fiduciary Funds  
March 31, 2008

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	<u>Agency</u>
	<u>Tax Collection</u>
<b>Assets</b>	
Cash	<u>\$472</u>
Total assets	<u>472</u>
<b>Liabilities</b>	
Due to others	<u>472</u>
Total liabilities	<u>472</u>
<b>Fund Balances</b>	<u>-</u>
Total liabilities and fund balances	<u><u>\$472</u></u>

See Accompanying Notes to Financial Statements.

# NOTES TO THE FINANCIAL STATEMENTS



Sumner Township  
Notes to Financial Statements  
March 31, 2008

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements of Sumner Township (the Township) have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

**Reporting Entity**

The Township is governed by an elected five-member Board. The Township receives funding from local and state sources and must comply with all of the requirements of these funding source entities. However, the Township is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the Township's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement Nos. 14 and 39.

**Joint Ventures**

Rural Urban Fire Control Board – The Township is a member of the Rural Urban Fire Control Board which is a joint venture between the City of Alma and the Townships of Arcada, Pine River, Seville and Sumner. The Board provides fire protection services to the Rural Urban Fire District. The membership of the Board is composed of seven members, of which the Township is represented. The Board is responsible for preparing an annual budget (which is approved by the City and the Townships) and to carry out all activities of the Board.

The Board has established a funding formula based on assessed valuation, population, and runs. The fire fighting equipment is owned jointly by the member municipalities. The City of Alma provides day-to-day management oversight of this joint venture.

For the period April 1, 2007 through March 31, 2008, the Township's contribution to the Board was \$46,489.

The Township is unaware of any circumstances that would cause it an additional benefit or burden in the near future. Complete financial statements for the year ended June 30, 2006 can be obtained by writing to: City of Alma, 525 Superior Street, PO Box 278, Alma, Michigan, 48801.

Sumner Township  
Notes to Financial Statements  
March 31, 2008

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to consumers who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Net assets are restricted when constraints placed on them are either externally imposed or are imposed by constitutional provisions or enabling legislation. Internally imposed designations of resources are not presented as restricted net assets. When both restricted and unrestricted resources are available for use, generally it is the Township's policy to use restricted resources first, then unrestricted resources as they are needed.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting and Financial Statement Presentation**

Government-Wide Financial Statements – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Sumner Township  
Notes to Financial Statements  
March 31, 2008

Governmental Fund Financial Statements - The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, claims and judgments, are recorded only when payment is due.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Fiduciary Fund Financial Statements – Fiduciary funds account for assets held by the Township as a trustee or agency capacity on behalf of others and, therefore, are not available to support Township operations. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements as they are not an asset of the Township available to support Township's operations. The Township currently maintains an agency fund to account for the monies collected and paid to various governmental entities for property tax collections.

The Township reports the following major funds:

Governmental Funds - The *General Fund* is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The *Permanent Fund* represents the Township's trust arrangement in which the Township is the beneficiary of the earnings on the principal to be used exclusively for care and maintenance of its cemetery.

### **Budgetary Data**

Budgets are adopted by the Township for the general fund. The budget is adopted and prepared on the modified accrual basis of accounting. The budget is adopted at the function level. The budgeted revenues and expenditures for governmental fund types, as presented in this report, include any authorized amendments to the original budget as adopted.

The Township does not maintain a formalized encumbrance accounting system.

Sumner Township  
Notes to Financial Statements  
March 31, 2008

### Property Taxes

Property taxes are levied on each December 1<sup>st</sup> on the taxable valuation of property located in the Township as of the preceding December 31<sup>st</sup>. These taxes are due on February 14<sup>th</sup> with the final collection date of February 28<sup>th</sup> before they are added to the county delinquent tax rolls.

For Township operations, the 2007 taxable valuation of the Township totaled \$34,754,051, on which .9320 mills were levied. For fire services, 1.6699 mills were levied and for the community center, .4769 mills were levied.

The total 2007 levy for the Township was \$106,985.

### Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

### Cash and Cash Equivalents

The Township's cash and cash equivalents are considered to be cash on hand, money market funds, demand deposits and certificates of deposit.

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of Federally insured banks, credit unions and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan. The Township's deposits are in accordance with statutory authority.



Sumner Township  
Notes to Financial Statements  
March 31, 2008

### Receivables

Receivables have been recognized for all significant amounts due the Township in accordance with the accounting principles used for the particular fund. Valuation reserves have not been provided since their collection is not considered doubtful and any uncollected amounts would be immaterial.

### Inventories

Inventories, which are immaterial in amount, are not recognized as an asset in these financial statements. Inventories are recorded as expenditures at the time of purchase in the governmental fund types.

### Capital Assets

Capital assets, which include property, plant and equipment, of the governmental activities are reported in the governmental column in the government-wide financial statements. Capital assets are defined by the Township as individual assets with an initial cost equal to or more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during construction of capital assets is not capitalized. No interest expense was incurred during the current year.

Capital assets utilized in the governmental funds are recorded as expenditures in the governmental fund financial statements. Depreciation expense is recorded in the government-wide financial statements.

Capital assets of the Township are depreciated using the straight line method over the following estimated useful lives:

<b>Assets</b>	<b>Years</b>
Land	Not Applicable – Not Depreciated
Buildings & Improvements	20 - 25
Furniture & Fixtures	5
Equipment	5
Vehicles	5

Sumner Township  
Notes to Financial Statements  
March 31, 2008

**Governmental Fund – Fund Balance Reserves and Designations**

The governmental fund financial statements present fund balance reserves for those portions of fund balance (1) not available for appropriation for expenditure or (2) legally segregated for a specific future use.

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgetary Information**

Annual budgets are adopted at the function level and on a basis consistent with generally accepted accounting principles for the general fund. All annual appropriations lapse at fiscal year end. The budgeted revenues and expenditures, as presented in this report, include any authorized amendments to the original budget as adopted.

**Excess of Expenditures over Appropriations**

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

During the year ended March 31, 2008, the Township incurred expenditures in excess of the amounts appropriated as shown in the back of this report.

**NOTE 3 - DETAILED NOTES**

**Cash and Cash Equivalents**

At March 31, 2008, the carrying amount of the Township's cash and cash equivalents was \$372,787 as follows:

Cash deposits	\$186,436
Cash – restricted	8,650
Certificates of Deposit	177,701
Total	\$372,787

Sumner Township  
Notes to Financial Statements  
March 31, 2008

*Custodial Credit Risk – Deposits*

Custodial credit risk is the risk that, in the event of a bank failure, the Township's deposits might not be recovered. At March 31, 2008, the carrying amount of the Township's deposits was \$372,787 and the bank balance was \$372,739. Of the bank balance, \$100,000 was covered by federally depository insurance and the remainder was uninsured and uncollateralized. Deposits which exceed FDIC insurance coverage limits are held at local banks. Restricted cash represents amounts restricted for Sumner Daze and cemetery perpetual care.

*Investments*

State statutes authorize the Township to invest in obligations and certain repurchase agreements of the United States Treasury and related governmental agencies, commercial paper, banker's acceptances of the United States banks, obligations of the State of Michigan or any of its political subdivisions and mutual funds composed entirely of the above investments. As of March 31, 2008, the Township had no such investments.

The Township's investment policy complies with the State statutes and has no additional investment policies that would limit its investment choices.

*Interest Rate Risk – Investments*

Under State statutes, investment in commercial paper is limited to maturities of not more than 270 days after the date of purchase. The Township's investment policy does not place any further limitations on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Sumner Township  
Notes to Financial Statements  
March 31, 2008

*Custodial Credit Risk – Investments*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the Township will not be able to recover the value of its investments that are in the possession of an outside party. The Township requires all security transactions, including collateral for repurchase agreements, to be made on a cash basis or a delivery vs. payment basis. Securities may be held by a third party custodian and must be evidenced by safekeeping receipts. The Township does not have any additional policies for custodial credit risk over investments.

*Credit Risk*

State statutes limit investments in commercial paper to be rated at the time of purchase within the three highest classifications established by not less than two standard rating services. Investments in obligations of the State of Michigan or its political subdivisions must be rated as investment grade by not less than one rating service. Investments in bonds, obligations or repurchase agreements must be made with the U.S. Treasury and banker's acceptances with United States banks. The Township's investment policy limits investments to be made with prudent judgment as to the safety of the invested capital and probable outcome of income.

*Concentration of Credit Risk*

The Township places no limit on the amount it may invest in any one issuer.

Sumner Township  
Notes to Financial Statements  
March 31, 2008

**Capital Assets** - A summary of changes in capital assets follows:

	<b>Beginning Balance</b>	<b>Additions</b>	<b>Disposals</b>	<b>Ending Balance</b>
<b>ASSETS</b>				
Land	\$124,250	-	-	\$124,250
Buildings & Improvements	948,844	\$16,111	-	964,955
Furniture & Fixtures	20,000	-	-	20,000
Equipment	63,057	4,765	-	67,822
Vehicles	19,000	5,000	(\$13,000)	11,000
Sub-totals	1,175,151	25,876	(13,000)	1,188,027
<b>ACCUMULATED DEPRECIATION</b>				
Buildings & Improvements	(891,615)	(5,203)	-	(896,818)
Furniture & Fixtures	(20,000)	-	-	(20,000)
Equipment	(29,079)	(11,532)	-	(40,611)
Vehicles	(7,500)	(4,417)	6,284	(5,633)
Sub-totals	(948,194)	(21,152)	6,284	(963,062)
<b>Totals</b>	<b>\$226,957</b>	<b>\$4,724</b>	<b>(\$6,716)</b>	<b>\$224,965</b>

Depreciation expense was charged to the general government function.

### **Reserved Fund Balance**

Fund balance has been reserved for fire protection, community center operations and maintenance, Sumner Daze and for perpetual care of the cemetery.

### **Risk Management**

The Township is exposed to various risks of loss related to theft of, damage to, and destruction of assets; errors and omissions; injuries; and natural disasters. The Township has purchased commercial insurance from independent insurance providers. Settled claims for the commercial insurance have not exceeded the amount of coverage in any of the past three years. There was no reduction in coverage obtained through commercial insurance during the past year.

Sumner Township  
Notes to Financial Statements  
March 31, 2008

**Employees Retirement System – Defined Contribution Pension Plan**

*Plan Description*

Sumner Township participates in the John Hancock Defined Contribution Pension Plan for Michigan Township Employees. The name of the plan is the Sumner Township / Gratiot County Pension Plan. All members of the Township Board and all Township Employees are eligible to participate in the plan. As of March 31, 2008, the pension plan's current membership was seven employees.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant and specifies how contributions to the individual's account are to be determined. The amount participant's receive depend solely on the amount contributed to the participant's account and the returns earned on those contributions.

*Funding Policy*

Employer contributions for each participant will be 15% of compensation. Mandatory employee contributions are 5% of compensation. Additional voluntary non-deductible contributions are not allowed.

Benefits are 100% vested upon plan participation.

During the year, the Township's actual contributions to the plan amounted to \$10,009, which includes \$7,507 of employer contributions and \$2,502 of employee contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the Township or its employees.

**Sumner Daze**

During the 2008 fiscal year, the Township maintained the cash receipts and cash disbursements for Sumner Daze, a festival that is held on an annual basis. The Township maintains a separate checking account to account for this activity. As of March 31, 2008, the balance in this checking account was \$4,457. For the year ended March 31, 2008, revenues and expenditures for this festival totaled \$8,232 and \$7,884, respectively.

# **REQUIRED SUPPLEMENTAL INFORMATION**

## **BUDGETARY COMPARISON SCHEDULE**



Sumner Township  
Budgetary Comparison Schedule  
General Fund  
Year Ended March 31, 2008

	Original	Final	Actual	Variance
<b>Revenues</b>				
Taxes and penalties	\$112,078	\$112,078	\$117,858	\$5,780
State grants	142,967	142,967	143,043	76
Charges for services	15,000	15,000	8,713	(6,287)
Interest and rentals	2,600	2,600	1,761	(839)
Other revenues	15,750	15,750	18,321	2,571
Total revenues	288,395	288,395	289,696	1,301
<b>Expenditures</b>				
General government	90,325	117,421	77,056	40,365
Public safety	55,326	55,326	49,836	5,490
Public works	57,149	64,844	70,719	(5,875)
Recreation and cultural	43,000	49,786	56,691	(6,905)
Other				
Insurance, bonds and fringes	3,300	3,300	17,507	(14,207)
Capital outlay	39,151	39,151	25,876	13,275
Total expenditures	288,251	329,828	297,685	32,143
Excess of revenues over (under) expenditures	144	(41,433)	(7,989)	33,444
Fund balance - beginning of year	415,657	415,657	415,657	-
Fund balance - end of year	<u>\$415,801</u>	<u>\$374,224</u>	<u>\$407,668</u>	<u>\$33,444</u>

See Accompanying Notes to Financial Statements





## **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Township Board  
Sumner Township  
Gratiot County, Michigan

We have audited the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Sumner Township as of and for the year ended March 31, 2008, which collectively comprise Sumner Township's basic financial statements and have issued our report thereon dated July 3, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

### **Internal Control over Financial Reporting**

In planning and performing our audit, we considered Sumner Township's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2008-1 and 2008-2 in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiencies described above as 2008-1 and 2008-2 are not material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sumner Township's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management in a separate letter dated July 3, 2008.

Sumner Township's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. We did not audit the Township's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management, Township Board, federal awarding agencies, pass-through entities and others within the entity and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Roslund, Prestage & Co, PC".

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

July 3, 2008

Sumner Township  
Schedule of Findings and Responses

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**Finding 2008-1**

Finding considered a significant deficiency

Effective for the year ended March 31, 2008, Statement on Auditing Standards #112 titled *Communicating Internal Control Related Matters Identified in an Audit* (Issued May 2006) requires us to communicate in writing when a client requires assistance to prepare the financial statements and related footnotes required in the annual audit report in accordance with accounting principles generally accepted in the United States of America.

The annual financial statements for the year ended March 31, 2008 required numerous audit adjustments, most of which the staff was aware needed to be recorded. The staff of the Township does understand all information included in the annual financial statements; however, we assist in preparing the financial statements and related footnotes.

We do not recommend any changes to this situation at this time and communicate this as required by professional standards.

Client Response

We are aware of this deficiency and believe it is not cost beneficial in our situation to develop this expertise. We will continue to use our external auditors for this technical assistance. We expect this situation to be ongoing in future years.

**Finding 2008-2**

Finding considered a significant deficiency

The Township currently does not have a policy that requires someone other than the preparer (i.e. other members of the Township Board) review all completed bank reconciliations on a monthly basis.

Internal control is most effective when the bank reconciliations are prepared by someone not responsible for entries in the receipts and disbursements records. Inasmuch as this is difficult because of the small number of employees, we recommend that this review procedure be incorporated into the formal accounting policies and performed monthly. This review should include scanning the reconciling items for any unusual items and tracing the reconciled balance to the financial statements.

At the same time we also recommend that the reviewer open the bank statements and review them for any unusual transactions. The review of the bank statement will ensure that unusual items are investigated on a timely basis.

Sumner Township  
Schedule of Findings and Responses

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All reconciliations should be signed and dated by individuals preparing them as well as by the reviewers. As a prompt to the preparer and reviewer/approver to sign the reconciliation, preprinted reconciliation forms could include a signature block with space for the signatures, or a stamp with a signature block could be applied to the reconciliations.

Client Response

We are aware of this deficiency and we are in the process of establishing formal procedures and incorporating these procedures into our accounting policies as recommend.



## Management Letter

Members of the Board  
Sumner Township, Michigan

In planning and performing our audit of the financial statements of Sumner Township for the fiscal year ended March 31, 2008, we considered the internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our audit report dated July 3, 2008, on the financial statements of Sumner Township.

We will review the status of these comments during our next audit engagement. We have discussed these comments and suggestions with management, and will be pleased to discuss them in further detail at your convenience.

Sincerely,

A handwritten signature in black ink that reads 'Roslund, Prestage &amp; Co, PC'. The signature is written in a cursive, flowing style.

Roslund, Prestage & Company, P.C.  
Certified Public Accountants

July 3, 2008

## **STATUS OF PRIOR YEAR COMMENTS AND RECOMMENDATIONS**

We were pleased to see that management has implemented several of the recommendations we included in our previously issued Management Letters. We commend you on your efforts to strengthen internal controls and operating efficiencies.

## **CURRENT YEAR COMMENTS AND RECOMMENDATIONS**

### **Organizational Structure**

The size of the Township's accounting and administrative staff precludes certain internal controls that would be preferred if the office staff were large enough to provide optimum segregation of duties. This situation dictates that the Township Board remains involved in the financial affairs of the Township to provide oversight and independent review functions. For example, we recommend that a member of management open the bank statements and review them for any unusual checks or other transactions before giving them to the Treasurer to perform the reconciliation. Then, after the bank reconciliation is completed, we recommend that management review the reconciliations for any unusual items. Once these reviews are completed, the bank statements and reconciliations should be initialed by the reviewer as evidence that the review had taken place. Management's review of the bank statements and reconciliations will ensure that unusual items are investigated on a timely basis.

### **Capital Assets**

A schedule of additions should be maintained as capital assets are purchased to simplify the process of capitalizing property and equipment additions at year end. The schedule should include the date the asset is acquired, a description of the asset, the vendor name and the amount. Also, invoices for asset acquisitions should be copied and maintained in a separate file to add support to, as well as provide a quick reference for, additions noted on the schedule.